

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Midland Township	County Midland
Audit Date December 31, 2003	Opinion Date May 25, 2004	Date Accountant Report Submitted to State: June 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ yes ☐ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

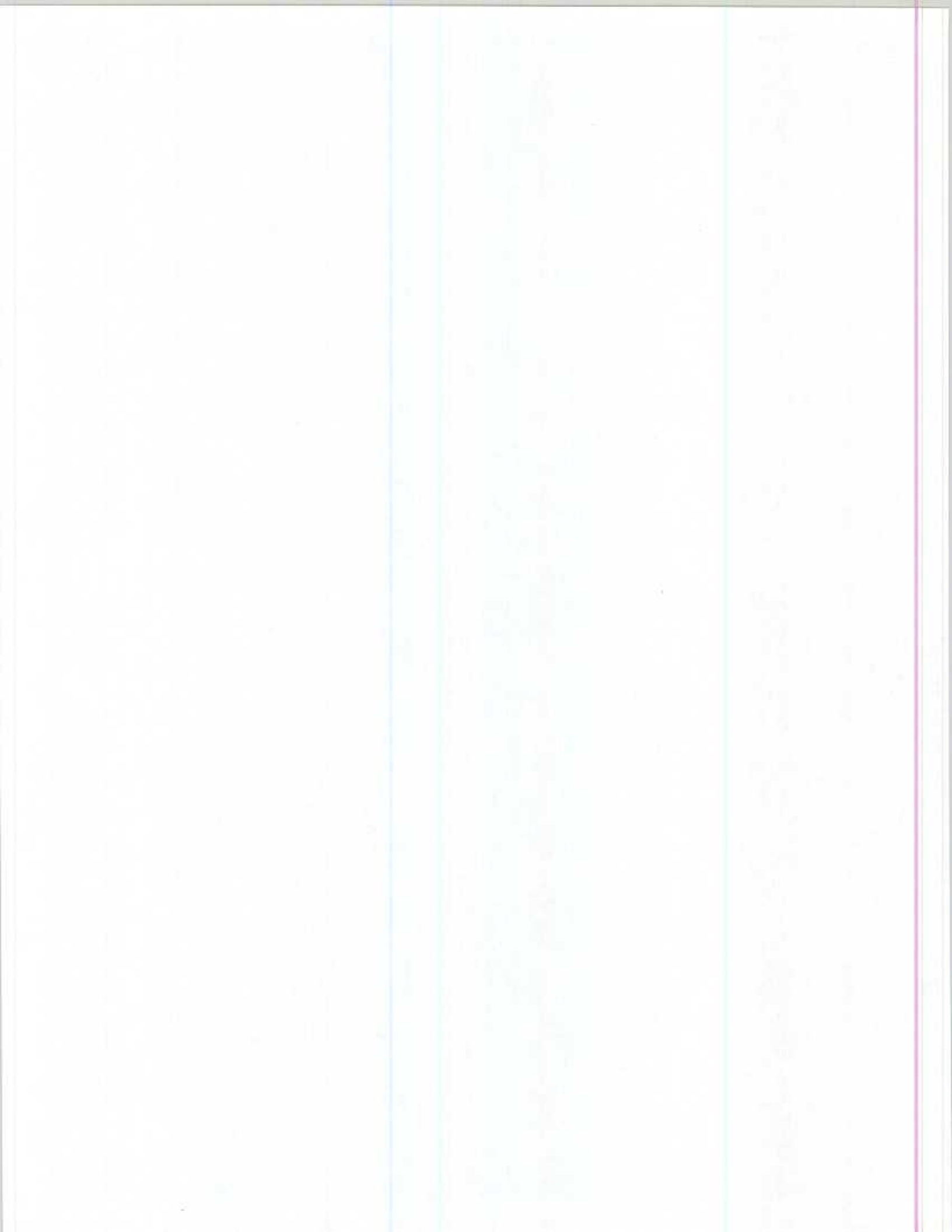
Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's			
Street Address 2865 S. Lincoln Road - P.O. Box 368	City Mt. Pleasant	State MI	ZIP 48804-0368
Accountant Signature 			

CHARTER TOWNSHIP OF MIDLAND, MIDLAND COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003



CHARTER TOWNSHIP OF MIDLAND
YEAR ENDED DECEMBER 31, 2003

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CHARTER TOWNSHIP OF MIDLAND
TOWNSHIP OFFICIALS
YEAR ENDED DECEMBER 31, 2003

SUPERVISOR

Terry Holt

TREASURER

Jody Farrell

CLERK

Korene Labadie

TRUSTEES

James Stamas

Shelly Armstrong

Jim Avery

Timothy Mott

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INDEPENDENT AUDITORS' REPORT

May 25, 2004

Township Board
Charter Township of Midland
Midland County, Michigan

We have audited the general-purpose financial statements of the Charter Township of Midland as of and for the year ended December 31, 2003 as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Midland as of December 31, 2003, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States.

Our audit was performed for the purpose of forming an opinion on general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements, schedules and tables identified in the Table of Contents as Supplemental Data and included in the report is not a required part of the general-purpose financial statements of the Charter Township of Midland and is presented primarily for supplemental analysis purposes. Such information relative to December 31, 2003 and for the year then ended has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole. Such information relative to December 31, 2002 and for the year then ended was subjected to the auditing procedures applied in the audit of the general purpose financial statements for the year ended December 31, 2002 and is presented here for comparison purposes only. We did not examine the data presented in the Statistical Section of this report and, therefore, we express no opinion on them.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

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GENERAL PURPOSE FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF MIDLAND
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

Statement I

(With Comparative Totals for the Year Ended December 31, 2002)

	Governmental Funds						Proprietary Funds		Fiduciary Fund Type		Account Groups		Totals	
	Special Revenue Funds			Debt Service Funds			Capital Projects Funds		Enterprise Funds		Trust and Agency		General Fixed Assets	
	General Fund												2003	2002
ASSETS AND OTHER DEBITS														
ASSETS														
Cash	\$ 719,441	\$ 586,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 434,156	\$ -	\$ -	\$ 1,740,023	\$ 1,722,411	
Investments	162,443	461,104	-	-	-	-	-	-	-	-	-	623,547	618,102	
Due From Other Funds	127,662	234,898	84,935	553	1,518	1,518	-	-	-	-	-	449,566	304,637	
Accounts Receivable	72,684	-	-	-	146	146	-	-	-	-	-	72,830	43,948	
Taxes Receivable	172,634	-	-	-	-	-	-	-	-	-	-	172,634	182,426	
Due From Other Governments	-	-	59,908	-	-	-	-	-	-	-	-	59,908	47,704	
Prepaid Expenditures	1,766	-	91,020	-	-	-	-	-	-	-	-	92,786	97,027	
Interest Receivable	2,071	109	-	-	-	-	-	-	-	-	-	2,180	2,241	
Fixed Assets	-	-	-	-	-	-	-	-	-	5,834,170	-	5,834,170	5,792,137	
Special Assessment Receivable	-	-	957,869	-	-	-	-	-	-	-	-	957,869	1,061,703	
TOTAL ASSETS	1,258,701	1,282,537	1,193,732	553	1,664	1,664	553	1,664	434,156	5,834,170	-	10,005,513	9,872,336	
OTHER DEBITS														
Amounts Available and to be Provided for Retirement of General Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	3,355,000	3,485,000	
TOTAL ASSETS AND OTHER DEBITS	\$ 1,258,701	\$ 1,282,537	\$ 1,193,732	\$ 553	\$ 1,664	\$ 1,664	\$ 553	\$ 1,664	\$ 434,156	\$ 5,834,170	\$ 3,355,000	\$ 13,360,513	\$ 13,357,336	
LIABILITIES AND FUND EQUITY														

The accompanying notes are an integral part of the financial statements.

	Governmental Funds				Proprietary Funds		Fiduciary Fund Type		Account Groups			Totals	
												(Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency	General Fixed Assets	Long-Term Debt	2003	2002			
LIABILITIES													
Accounts Payable	\$ 15,488	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,495	\$ 24,233			
Payroll Taxes Payable	934	-	-	-	-	-	-	-	934	3,486			
Salaries Payable	-	-	-	-	-	-	-	-	-	-			
Retainage Payable	-	-	-	-	-	-	-	-	-	-			
Deferred Revenue	-	-	957,869	-	-	-	-	-	957,869	1,061,703			
Due to Other Funds	84,935	53,479	235,863	553	1,664	73,072	-	-	449,566	285,821			
Due to Other Governments	-	-	-	-	-	-	-	-	-	230,000			
Undistributed Receipts	-	-	-	-	-	361,084	-	-	361,084	141,613			
Bonds Payable	-	-	-	-	-	-	-	3,355,000	3,355,000	3,485,000			
TOTAL LIABILITIES	101,357	53,486	1,193,732	553	1,664	434,156	-	3,355,000	5,139,948	5,231,856			
EQUITY AND OTHER CREDITS													
Investment in General Fixed Assets	-	-	-	-	-	-	5,834,170	-	5,834,170	5,792,137			
Fund Balance - Reserved	1,766	-	-	-	-	-	-	-	1,766	40,296			
Fund Balance - Unreserved	1,155,578	1,229,051	-	-	-	-	-	-	2,384,629	2,293,047			
TOTAL EQUITY AND OTHER CREDITS	1,157,344	1,229,051	-	-	-	-	5,834,170	-	8,220,565	8,125,480			
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,258,701	\$ 1,282,537	\$ 1,193,732	\$ 553	\$ 1,664	\$ 434,156	\$ 5,834,170	\$ 3,355,000	\$ 13,360,513	\$ 13,357,336			

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF MIDLAND
COMBINED STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE-
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2003

Statement II

(With Comparative Totals for the Year Ended December 31, 2002)

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Totals (Memorandum Only)	
					2002	2001
REVENUE						
Property Taxes	\$ 251,001	\$ -	\$ -	\$ -	\$ 251,001	\$ 266,274
Intergovernmental Revenue	176,558	91,131	-	-	267,689	274,996
Interest and Dividend Earnings	9,190	11,083	262	-	20,535	35,868
Licenses and Permits	19,488	-	-	-	19,488	20,193
Charges for Services and Sales	36,594	-	245,127	-	281,721	258,264
Rents and Royalties	3,480	-	-	-	3,480	2,987
Refunds and Reimbursements	232	-	-	-	232	10
Ordinance Fines and Fees	631	-	-	-	631	160
Miscellaneous	216	-	-	-	216	1,700
TOTAL REVENUE	497,390	102,214	245,389	-	844,993	860,452
EXPENDITURES						
Legislative	39,904	-	-	-	39,904	39,831
General Government	90,849	-	-	-	90,849	81,160
Public Safety	74,201	-	-	-	74,201	52,898
Public Works	199,489	96	-	-	199,585	211,816
Recreation and Culture	9,177	-	-	-	9,177	9,060
Other Functions	3,736	-	-	-	3,736	3,390
Capital Improvements	-	-	-	-	-	17,784
Miscellaneous	-	-	-	45,000	45,000	-
Debt Service						
Bond Interest and Fees	-	-	191,490	-	191,490	200,240
Bond Principal	-	-	130,000	-	130,000	125,000
TOTAL EXPENDITURES	417,356	96	321,490	45,000	783,942	741,179
EXCESS REVENUE OVER (UNDER) EXPENDITURES	80,034	102,118	(76,101)	(45,000)	61,051	119,273
OTHER FINANCING SOURCES (USES)						
Transfers From Other Funds	-	-	37,233	45,000	82,233	30,481
Transfers To Other Funds	(7,964)	(82,234)	29	(29)	(90,198)	(30,958)
TOTAL OTHER FINANCING SOURCES (USES)	(7,964)	(82,234)	37,262	44,971	(7,965)	(477)
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	72,070	19,884	(38,839)	(29)	53,086	118,796
FUND BALANCE - JANUARY 1	1,085,274	1,209,167	38,839	29	2,333,309	2,333,309
FUND BALANCE - DECEMBER 31	\$ 1,157,344	\$ 1,229,051	\$ -	\$ -	\$ 2,386,395	\$ 2,452,105

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF MIDLAND
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2003

Statement III

	General Fund			Special Revenue Funds		
	Budget	Actual	(Over) Under Budget	Budget	Actual	(Over) Under Budget
REVENUE						
Property Taxes	\$ 220,000	\$ 251,001	\$ (31,001)	\$ -	\$ -	\$ -
Intergovernmental Revenue	180,500	176,558	3,942	-	-	-
Interest and Dividend Earnings	7,350	9,190	(1,840)	150	85	65
Licenses and Permits	15,600	19,488	(3,888)	-	-	-
Charges for Services and Sales	19,000	36,594	(17,594)	-	-	-
Rents and Royalties	2,000	3,480	(1,480)	-	-	-
Refunds and Reimbursements	200	232	(32)	-	-	-
Ordinance Fines and Fees	100	631	(531)	-	-	-
Miscellaneous	50	216	(166)	-	-	-
TOTAL REVENUE	444,800	497,390	(52,590)	150	85	65
EXPENDITURES						
Legislative	46,666	39,904	6,762	-	-	-
General Government	100,038	90,849	9,189	-	-	-
Public Safety	81,650	74,201	7,449	-	-	-
Public Works	187,971	199,489	(11,518)	100	96	4
Recreation and Culture	9,500	9,177	323	-	-	-
Other Functions	3,600	3,736	(136)	-	-	-
TOTAL EXPENDITURES	429,425	417,356	12,069	100	96	4
EXCESS REVENUE OVER (UNDER) EXPENDITURES	15,375	80,034	(64,659)	50	(11)	61
OTHER FINANCING SOURCES (USES)						
Transfers To Other Funds	-	(7,964)	7,964	-	-	-
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	15,375	72,070	(56,695)	50	(11)	61
FUND BALANCE - JANUARY 1	1,085,274	1,085,274	-	9,720	9,720	-
FUND BALANCE - DECEMBER 31	\$1,100,649	\$1,157,344	\$ (56,695)	\$ 9,770	\$ 9,709	\$ 61

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF MIDLAND
 PROPRIETARY FUND
 STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2003

Statement IV

OPERATING REVENUE

Charges for Services and Sales

Enterprise
Fund

\$ 11,890

OPERATING EXPENSES

Construction Code Enforcement Operations

19,888

OPERATING INCOME (LOSS)

(7,998)

OPERATING TRANSFERS IN (OUT)

Operating Transfer In From Other Funds

7,964

INCREASE (DECREASE) IN RETAINED EARNINGS

(34)

RETAINED EARNINGS - JANUARY 1

34

RETAINED EARNINGS - DECEMBER 31

\$ -

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF MIDLAND
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

Statement V

Enterprise
Fund

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss)

\$ (7,998)

Adjustments to Reconcile Operating Loss to Net Cash
 Provided (Used) By Operating Activities:

Change in Assets and Liabilities

Accounts Receivable

469

Due From Other Funds

(1,518)

Accounts Payable

(581)

Due to Other Funds

1,664

Total Changes in Assets and Liabilities

34

Net Cash Provided (Used) by Operating Activities

(7,964)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Transfers In From Other Funds

7,964

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

-

CASH AND CASH EQUIVALENTS - JANUARY 1

-

CASH AND CASH EQUIVALENTS - DECEMBER 31

\$ -

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

\$ -

The accompanying notes are an integral part of the financial statements.

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CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Midland is a township with a population in excess of 4,000 people. The Township is governed by a seven-member board of officials, elected by the Township electorate.

A. DEFINITION OF THE REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14.

Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationships with the Township. The Charter Township of Midland does not have any component units.

B. BASIS OF PRESENTATION

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures, as appropriate.

The various funds of the Township are as follows:

GOVERNMENTAL FUNDS

General Fund - This Fund is used to account for all financial transactions except those required to be accounted for in another fund. The Fund includes the general operating expenditures of the Charter Township of Midland. Revenue is derived primarily from property taxes, state distributions, rentals and other intergovernmental revenues.

Special Revenue Funds - These Funds are used to account for specific governmental revenue (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long term debt principal, interest and related costs not being financed by proprietary or non-expendable trust funds.

Capital Project Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and non-expendable trust funds.)

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
B. BASIS OF PRESENTATION (CONTINUED)

PROPRIETARY FUND

Enterprise Fund - This Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the Township has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the Township as an agent for individuals, private organizations, employees, other governments, and/or other funds.

ACCOUNT GROUPS

General Fixed Assets Account Group - This Account Group reports the fixed assets that the Township utilizes in its general operations.

General Long-Term Debt Account Group - This Account Group is established to report the long-term debt of the Township.

The two account groups are not "funds". They are concerned only with the measurement of financial position; they are not involved with measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to how revenue and expenditures are recognized in the accounts and reported in the financial statements.

The modified accrual basis of accounting is used by all governmental fund types and agency funds; revenue is recognized in the accounting period in which it becomes both available and measurable, and expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

The accrual basis of accounting is utilized by proprietary funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. The Township applies applicable FASB pronouncements in accounting and reporting for its proprietary operations.

The accounting books and records of the Charter Township of Midland are maintained on a cash basis of accounting during the year. They are converted to the modified accrual or accrual basis of accounting, as applicable, at year end through various adjusting entries, as required by accounting principles generally accepted in the United States as applicable to governmental entities.

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETARY COMPARISONS

Budgets are adopted by the Charter Township of Midland for the General, Special Revenue, and Capital Projects Funds. Generally accepted accounting principles require that the financial statements present budgetary comparisons for the General and Special Revenue Funds and for other governmental funds for which budgets are legally adopted. Accordingly, Statement III includes a comparison to the formally adopted budgets for the General and Special Revenue funds.

Initially adopted budgets were altered throughout the year through budget amendments. The budget amounts reported reflect all amendments adopted. Budget appropriations lapse at each fiscal year end.

E. CASH AND INVESTMENTS

Township investments are stated at cost and consist of risk pool investments.

For the purpose of the Statement of Cash Flows presented for the Proprietary Fund types, the Township considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be Cash Equivalents.

F. COMMON CHECKING

The Township Improvements Revolving Fund, Water Improvements Debt Service Fund, and the Water Improvements Capital Project Fund share a common checking account. It is possible, at certain points during the year, that some funds show a negative checking balance. When this occurs, this represents a type of temporary interfund borrowing.

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as Due from Other Funds and Due to Other Funds on the Balance Sheet.

H. ACCOUNTS RECEIVABLE/DEFERRED REVENUE

The Township recognizes receivables in its various funds based on the accounting basis required for that fund. These receivables include the following:

Taxes Receivable - Taxes Receivable consists of the total amount levied and collectible on December 1 less any amounts collected during the month of December. Accounting principles generally accepted in the United States require property taxes to be recorded as revenue in the period for which the taxes are levied.

Special Assessments Receivable - Special assessments are levied against certain property owners and become liens against property benefited by the improvement. Special Assessments Receivable, if applicable, consist of current assessments due within one year and long-term assessments due over time. In the Governmental Fund types, special assessments are recognized as revenue when they become available, meaning as they become currently collectible. Any long-term balance is recorded as Deferred Revenue.

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. ACCOUNTS RECEIVABLE/DEFERRED REVENUE (CONTINUED)

Accounts Receivable/Due from Other Governmental Units - Consists of amounts owed by customers, other organizations and other governments. Uncollectible amounts due from customers are considered immaterial.

I. PREPAIDS

The Township follows the practice of recording as prepaid expenditures those purchases that are made in the current year that will benefit future periods following a consumption method of accounting for prepaid items.

Reported balances for prepaid items are equally offset by a fund balance reserve to indicate that these balances do not constitute "available spendable resources" even though they are a component of net current assets.

J. FIXED ASSETS AND DEPRECIATION

Governmental Fund Type Assets - Purchases of Fixed Assets are recorded as expenditures in the General, Special Revenue, and Capital Projects Funds at the time of acquisition. Accounting principles generally accepted in the United States require the Township to accumulate these expenditures in the general fixed asset account group. The original Statement of General Fixed Assets was compiled by the Township officials and maintained by prior auditors and was not subjected to audit procedures. As of the year ending December 31, 1997, additions and retirements have been subjected to audit procedures. Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems) are not capitalized. The Township does not record depreciation on the fixed assets.

Proprietary Fund Type Assets - Fixed Assets of Proprietary fund types are recorded at historical cost, and are accounted for in the respective funds. Donated assets are recorded at their fair market value on the date received.

Depreciation - Governmental fund type fixed assets of the Township reported in the General Fixed Assets Account Group are not depreciated. Depreciation is charged on all exhaustible fixed assets used by Proprietary fund types. Proprietary fund type fixed assets have been reported net of accumulated depreciation on Statement I. Depreciation has been provided over the varying estimated useful lives of the assets using the straight-line method.

K. LONG-TERM DEBT

Long-Term Liabilities expected to be financed from Governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the Governmental funds. Long-Term Liabilities expected to be financed from Proprietary fund type operations are accounted for in the Proprietary Funds.

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. FUND EQUITY

Reservations are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure. These include such assets as prepaid expenditures or inventories which cannot be "re-spent" and noncurrent assets (long-term accounts receivable and long-term advances to other funds.)

Designations of fund balance are established to identify plans for, or restrictions on, the future use of financial resources. Designations require the action of the Township Board.

M. PROPERTY TAXES

The Charter Township of Midland levies a millage of 4.0 mills for general operations.

The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 14, at which date they become delinquent.

Receipts of current and delinquent property taxes are recorded as revenue on a levy year basis. Revenue recognized for the year ended December 31, 2003 represent collections through December 31, 2003 on the 2003 levy plus any amount collectible after year end. Midland County, the county in which the Charter Township of Midland is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. An estimate for the amount of uncollectible delinquent personal property taxes has been made.

N. INTERFUND TRANSACTIONS

During the course of normal operations, the Township has numerous transactions between Township funds. Quasi-external transactions such as buying goods and services from Proprietary Funds are recorded as revenue in the Proprietary Fund and Expenditures in the paying fund. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund as reduction of expenditures/expenses in the fund that is reimbursed. Operating transfers between funds are reported as other financing sources or uses.

O. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position or results of operations in accordance with accounting principles generally accepted in the United States. Interfund eliminations have not been made in the aggregation of this data.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 2 - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in six financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of United States banks; obligations of this State or any of its political subdivision that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

At year end, the carrying value of cash and investments held by the Charter Township of Midland is as follows:

Petty Cash	\$ 200
Deposits with Financial Institutions	
Checking and Savings Accounts	1,006,735
Certificates of Deposit	<u>733,088</u>
Total Deposits with Financial Institutions	1,739,823
Investments	
National Bank Investment Pool	<u>623,547</u>
Total Cash and Investments	<u>\$ 2,363,570</u>
Reconciliation to Exhibit I	
Cash	\$ 1,740,023
Investments	<u>623,547</u>
	<u>\$ 2,363,570</u>

Deposits with Financial Institutions

At year end, the carrying amount of the Charter Township of Midland deposits with financial institutions was \$1,739,824 and the bank balance was \$2,342,314. Of the bank balance, \$614,511 was covered by the Federal Depository Insurance Corporation and \$1,104,255 was uninsured and uncollateralized. Of the carrying balance, \$614,511 was covered by the Federal Depository Insurance Corporation and \$1,125,313 was uninsured and uncollateralized.

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

Larger amounts on deposit with the financial institutions were uninsured and uncollateralized during the year than at year end due to collections of property taxes being made over short periods of time.

Investments

Township Investments of \$623,547 fall into the non-risk category because they are part of an investment pool and are not evidenced by securities that exist in physical or book entry form.

NOTE 3 - INTERFUNDS

Interfund receivable and payable balances at December 31, 2003 are as follows:

	Due From Other Funds	Due to Other Funds
<u>GENERAL FUND</u>		
Township Improvement Revolving Fund	\$ 53,479	\$ -
Current Tax Collections Fund	73,072	-
Water Improvements Debt Service Fund	-	84,935
State Construction Code Enforcement Fund	1,111	-
<u>SPECIAL REVENUE FUND</u>		
<u>TOWNSHIP IMPROVEMENT REVOLVING FUND</u>		
General Fund	-	53,479
Water Improvements Debt Service Fund	234,345	-
Water Improvements Capital Project Fund	553	-
<u>DEBT SERVICE FUND</u>		
<u>WATER IMPROVEMENTS DEBT SERVICE FUND</u>		
General Fund	84,935	-
State Construction Code Enforcement Fund	-	1,518
Township Improvements Revolving Fund		234,345
<u>CAPITAL PROJECT FUND</u>		
<u>WATER IMPROVEMENTS CAPITAL PROJECT FUND</u>		
State Construction Code Enforcement Fund	553	-
Township Improvement Revolving Fund	-	553
<u>ENTERPRISE FUND</u>		
<u>STATE CONSTRUCTION CODE ENFORCEMENT FUND</u>		
General Fund	-	1,111
Water Improvements Debt Fund	1,518	-
Water Improvements Capital Project Fund	-	553
<u>TRUST AND AGENCY FUND</u>		
<u>CURRENT TAX COLLECTIONS FUND</u>		
General Fund	-	73,072
Grand Total	<u>\$ 449,566</u>	<u>\$ 449,566</u>

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL GOVERNMENTAL FUNDS FOR WHICH BUDGETS ARE ADOPTED

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. The Township legal level of adoption for budgets is the activity level for expenditures in the general fund. All other funds are adopted at the line item level. During the year ended December 31, 2003, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Budget Variance</u>
GENERAL FUND			
<u>General Government</u>			
Clerk	\$ 16,700	\$ 17,422	\$ 722
Treasurer	18,350	19,214	864
<u>Public Works</u>			
Public Utilities	8,200	8,716	516
Water System	-	27,872	27,872

The expenditures for the Water System were originally recorded in the Water Improvements Debt Service Fund, which does not require a budget, and were reclassified to the General Fund through audit adjustment.

A budget for the Township Improvement revolving fund was not adopted by the Township and is thus not included in Statement III for comparison.

NOTE 5 - CHANGES IN FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group:

	<u>Balance 01/01/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/02</u>
Land and Improvements	\$ 82,916	\$ -	\$ -	\$ 82,916
Water Improvements	4,311,955	45,000	-	4,356,955
Buildings and Improvements	700,872	30,701	-	731,573
Equipment	662,726	-	-	662,726
Construction In Progress	-	-	-	-
 Total General Fixed Assets	 <u>\$ 5,758,469</u>	 <u>\$ 75,701</u>	 <u>\$ -</u>	 <u>\$ 5,834,170</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of the long-term debt transactions reported in the General Long-Term Debt Account Group:

	<u>Balance 01/01/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/03</u>
Bonds Payable	\$ 3,485,000	\$ -	\$ 130,000	\$ 3,355,000

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The balance at December 31, 2003 is made up of the following:

Bonds Payable - Water Supply Bonds

The County of Midland, on behalf of the Township, issued Water Supply System Bonds. The Township is responsible for payment of such bonds and debt service which is being financed by a combination of (1) hookup/user fee charged to property owners, and (2) a debt service and maintenance surcharge added to all water bills. Revenue from the hookup fee is being recognized in the Water Improvements Debt Service Fund. Until the project has been completed most expenditures are being handled by the County using bond proceeds and interest earned on that account. The expenditures made both by the County and the Township are reflected in the Water Improvements Capital Project Fund. When the project is completed, an remaining monies will be transferred to the Debt Service Fund to help make future debt payments. The outstanding liability is reported in the General Long-Term Debt Account Group.

County Water Supply System Bonds Outstanding at December 31, 2003 were as follows:

<u>Year Ended December 31,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004	\$ 182,040	\$ 140,000	\$ 322,040
2005	172,240	145,000	317,240
2006	162,090	155,000	317,090
2007	151,240	160,000	311,240
2008	140,040	170,000	310,040
2009 - 2013	517,490	1,000,000	1,517,490
2014 - 2018	228,240	1,285,000	1,513,240
2019	12,000	300,000	312,000
	<u>\$ 897,770</u>	<u>\$ 3,355,000</u>	<u>\$ 4,920,380</u>

NOTE 7 - FUND EQUITY

RESERVED FUND BALANCE

General Fund - The General Fund Fund Balance has been reserved for prepaid expenditures of \$1,766. This reserve is made to indicate that these assets are not spendable financial resources.

NOTE 8 - PENSION PLAN

The Township's Defined Contribution Pension Plan investments are held in trust by the fiduciary, Manufacturers Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township pension plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system. The plan is available for all Township Board members and all full-time Police Department members. Contributions to the Pension Investment Plan are based on 10% of compensation for the Police Department members and on 7.5% of compensation for Township Board members. Employees can also make voluntary deductions to the plan. Benefits in the plan vest immediately at 100%.

For the year ended December 31, 2003, the Township made its required contribution of \$1,173. The value of the plan's assets and vested benefits as of December 31, 2003 is \$22,440.

CHARTER TOWNSHIP OF MIDLAND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 9 - AGREEMENTS WITH CITY

Urban Cooperation Act

On December 24, 1992, the Charter Township of Midland and the City of Midland entered into an Urban Cooperation Act agreement. Under this agreement, revenue derived from the levy of ad valorem property taxes or specific taxes levied in lieu of general ad valorem property taxes on all of the commercial and industrial property located within the city of Midland will be shared with the Charter Township of Midland. In return for the revenue sharing agreement described above, the Charter Township of Midland agrees that its Township Board, during the duration of this agreement, will assist the City of Midland to cause annexation of certain property located in the Charter Township of Midland. The City of Midland also agrees to provide water and sewer service at their expense to a certain City/Township boundary. The duration of this agreement is thirty years, beginning on the effective date December 30, 1992, and continuing to December 31, 2022.

Water Supply System Agreement

The Township has entered into an agreement with the City of Midland, whereby the Township, through bonds issued by the County of Midland (as discussed in Note 6), will construct and install a water system that is connected to the City's water system. Upon completion of construction and installation and acceptance by the City, the water mains within the Township Water Service Area shall remain the property of the Township. The City shall provide all operation and maintenance and service necessary for the property, efficient and lawful use of the system. In addition, the City will provide and maintain at its expense all meters for measuring water supplied to Township Customers. Finally, the City shall bill each Township customer in accordance with the City Code of Ordinances. The billings will consist of a usage charge to be recognized by the City and a debt service and maintenance surcharge which will be used to help make payments on the County Water Supply Bonds.

NOTE 10 - RISK MANAGEMENT

The Charter Township of Midland is a member of a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. The purpose of the association is to administer a risk management fund which protects members with loss protection for general and auto liability, motor vehicle physical damage and property. Contributions are applied to the procurement reinsurance, risk management, underwriting, payment of claims, establishments of loss reserves and other related expenses.

A member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

SUPPLEMENTAL DATA

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CHARTER TOWNSHIP OF MIDLAND
GENERAL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit A1-1

ASSETS

	<u>2003</u>	<u>2002</u>
Petty Cash	\$ 200	\$ 200
Cash in Checking	154,813	134,772
Cash in Savings	103,948	103,331
Certificates of Deposits	<u>460,480</u>	<u>454,726</u>
Total Cash	719,441	693,029
Investments	162,443	161,025
Due From Other Funds	127,662	86,107
Accounts Receivable	72,684	43,333
Taxes Receivable	172,634	182,426
Prepaid Expenditures	1,766	1,457
Interest Receivable	<u>2,071</u>	<u>2,097</u>
TOTAL ASSETS	<u>\$ 1,258,701</u>	<u>\$ 1,169,474</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 15,488	\$ 23,652
Due to Other Funds	84,935	57,062
Payroll Taxes Payable	<u>934</u>	<u>3,486</u>
TOTAL LIABILITIES	101,357	84,200

FUND BALANCE

Reserved for Prepaids	1,766	1,457
Unreserved	<u>1,155,578</u>	<u>1,083,817</u>
TOTAL FUND BALANCE	<u>1,157,344</u>	<u>1,085,274</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,258,701</u>	<u>\$ 1,169,474</u>

CHARTER TOWNSHIP OF MIDLAND
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit A1-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	2003			2002
	Budget	Actual	(Over) Under Budget	
REVENUE				
Property Taxes				
Current Property Taxes	\$ 190,000	\$ 232,828	\$ (42,828)	\$ 236,411
Cooling Pond Assessment	-	17,684	(17,684)	17,783
Delinquent Taxes	30,000	489	29,511	12,080
Total Property Taxes	220,000	251,001	(31,001)	266,274
Intergovernmental Revenue				
State Shared Revenue	180,500	176,558	3,942	220,609
Interest and Dividend Earnings	7,350	9,190	(1,840)	13,381
Licenses and Permits				
Mobile Home Park Fees	300	42	258	565
Rezoning and Variance Requests	300	-	300	-
Cable Fees	15,000	19,446	(4,446)	19,628
Total Licenses and Permits	15,600	19,488	(3,888)	20,193
Charges for Services and Sales				
Fire Department Services	16,000	32,697	(16,697)	29,936
Office Services	100	-	100	216
Street Lighting	1,100	1,591	(491)	1,113
Office Services	1,800	2,306	(506)	1,900
Total Charges for Services and Sales	19,000	36,594	(17,594)	33,165
Rents and Royalties				
Hall Rental	2,000	3,480	(1,480)	2,987
Refunds and Reimbursements	200	232	(32)	10
Ordinance Fines and Fees	100	631	(531)	160
Miscellaneous	50	216	(166)	1,700
TOTAL REVENUE	444,800	497,390	(52,590)	558,479

CHARTER TOWNSHIP OF MIDLAND
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit A1-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	2003			2002
	Budget	Actual	(Over) Under Budget	
EXPENDITURES				
Legislative				
Township Board	\$ 46,666	\$ 39,904	\$ 6,762	\$ 39,831
General Government				
Supervisor	18,150	13,687	4,463	15,435
Elections	100	-	100	2,262
Accounting and Auditing	10,934	10,934	-	7,732
Assessor	11,000	11,000	-	9,800
Clerk	16,700	17,422	(722)	14,242
Board of Review	1,175	705	470	690
Treasurer	18,350	19,214	(864)	13,243
Buildings and Grounds	23,629	17,887	5,742	17,756
Total General Government	100,038	90,849	9,189	81,160
Public Safety				
Fire Department	74,550	73,751	799	47,749
Liquor Control Administration	500	-	500	-
Planning Commission	6,150	-	6,150	5,149
Board of Appeals	450	450	-	-
Total Public Safety	81,650	74,201	7,449	52,898
Public Works				
Public Utilities	8,200	8,716	(516)	7,458
Department of Public Works	6,650	1,420	5,230	1,319
Drains at Large	20,000	19,778	222	19,850
Highways and Streets	51,121	51,121	-	34,945
Water System	-	27,872	(27,872)	57,062
Trash Pick-Up	102,000	90,582	11,418	91,098
Total Public Works	187,971	199,489	(11,518)	211,732
Recreation and Culture				
Library	9,500	9,177	323	9,060
Other Functions				
Fringe Benefits	3,600	3,736	(136)	3,390
TOTAL EXPENDITURES	429,425	417,356	12,069	398,071

CHARTER TOWNSHIP OF MIDLAND
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit A1-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	2003			2002
	Budget	Actual	(Over) Under Budget	
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 15,375	\$ 80,034	\$ (64,659)	\$ 160,408
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer To State Construction Code Enforcement Fund	-	(7,964)	7,964	(477)
EXCESS REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	15,375	72,070	(56,695)	159,931
FUND BALANCE - JANUARY 1	<u>1,085,274</u>	<u>1,085,274</u>	-	<u>925,343</u>
FUND BALANCE - DECEMBER 31	<u>\$ 1,100,649</u>	<u>\$ 1,157,344</u>	<u>\$ (56,695)</u>	<u>\$ 1,085,274</u>

CHARTER TOWNSHIP OF MIDLAND
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2003

Exhibit B1-1

ASSETS

	Flood Control	Township Improvements Revolving	Total
Cash	\$ 9,716	\$ 304,101	\$ 313,817
Certificates of Deposit	-	272,609	272,609
Investments	-	461,104	461,104
Due From Other Funds	-	234,898	234,898
Interest Receivable	-	109	109
TOTAL ASSETS	<u>\$ 9,716</u>	<u>\$ 1,272,821</u>	<u>\$ 1,282,537</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>			
Accounts Payable	\$ 7	\$ -	\$ 7
Due to General Fund	-	53,479	53,479
<u>FUND BALANCE</u>	<u>9,709</u>	<u>1,219,342</u>	<u>1,229,051</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,716</u>	<u>\$ 1,272,821</u>	<u>\$ 1,282,537</u>

COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2003

Exhibit B1-2

REVENUE

Intergovernmental Revenue	\$ -	\$ 91,131	\$ 91,131
Interest and Dividend Earnings	85	10,998	11,083
TOTAL REVENUE	85	102,129	102,214

EXPENDITURES

Public Works	96	-	96
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(11)	102,129	102,118

OTHER FINANCING SOURCES (USES)

Transfer Out to Water Improvement Capital Projects Fund	-	(45,000)	(45,000)
Transfer Out to Water Improvement Debt Fund	-	(37,234)	(37,234)
TOTAL OTHER FINANCING SOURCES	-	(82,234)	(82,234)

EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(11)	19,895	19,884
FUND BALANCE - JANUARY 1	<u>9,720</u>	<u>1,199,447</u>	<u>1,209,167</u>
FUND BALANCE - DECEMBER 31	<u>\$ 9,709</u>	<u>\$ 1,301,576</u>	<u>\$ 1,229,051</u>

CHARTER TOWNSHIP OF MIDLAND
FLOOD CONTROL FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit 2-1

<u>ASSETS</u>		2003	2002
Cash in Checking		<u>\$ 9,716</u>	<u>\$ 9,720</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable		\$ 7	\$ -
<u>FUND BALANCE</u>			
Unreserved		<u>9,709</u>	<u>9,720</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>\$ 19,432</u>	<u>\$ 9,720</u>

STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2003

Exhibit B2-2

(With Comparative Actual Totals for the Year Ended December 31, 2002)

	<u>2003</u>		(Over) Under Budget	<u>2002</u>
	<u>Budget</u>	<u>Actual</u>		
<u>REVENUE</u>				
Interest and Dividend Earnings	\$ 150	\$ 85	\$ 65	\$ 143
<u>EXPENDITURES</u>				
Public Works				
Electricity	<u>100</u>	<u>96</u>	<u>4</u>	<u>84</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	50	(11)	61	59
FUND BALANCE - JANUARY 1	<u>9,720</u>	<u>9,720</u>	<u>-</u>	<u>9,661</u>
FUND BALANCE - DECEMBER 31	<u>\$ 9,770</u>	<u>\$ 9,709</u>	<u>\$ 61</u>	<u>\$ 9,720</u>

CHARTER TOWNSHIP OF MIDLAND
TOWNSHIP IMPROVEMENTS REVOLVING FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit B3-1

	<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Cash		\$ 304,101	\$ 343,725
Certificates of Deposit		272,609	272,609
Investments		461,104	457,077
Due From Other Funds		234,898	161,468
Interest Receivable		<u>109</u>	<u>144</u>
 TOTAL ASSETS		 <u>\$ 1,272,821</u>	 <u>\$ 1,235,023</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>			
Due to General Fund		\$ 53,479	\$ 35,576
 <u>FUND BALANCE</u>		 <u>1,219,342</u>	 <u>1,199,447</u>
 TOTAL LIABILITIES AND FUND BALANCE		 <u>\$ 1,272,821</u>	 <u>\$ 1,235,023</u>

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2003 AND 2002

Exhibit B3-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
Intergovernmental Revenue		
City Revenue Sharing	\$ 91,131	\$ 54,387
Interest and Dividend Earnings	<u>10,998</u>	<u>20,768</u>
 TOTAL REVENUE	 102,129	 75,155
 <u>EXPENDITURES</u>	 <u>-</u>	 <u>-</u>
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 102,129	 75,155
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfer Out to Water Improvement Capital Projects Fund	(45,000)	-
Transfer Out to Water Improvement Debt Fund	<u>(37,234)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES	 <u>(82,234)</u>	 <u>-</u>
 EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 19,895	 75,155
 FUND BALANCE - JANUARY 1	 <u>1,199,447</u>	 <u>1,124,292</u>
 FUND BALANCE - DECEMBER 31	 <u>\$ 1,219,342</u>	 <u>\$ 1,199,447</u>

CHARTER TOWNSHIP OF MIDLAND
WATER IMPROVEMENTS DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit C1-1

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Cash	\$ -	\$ -
Due From the County	59,908	47,675
Due From other Funds	84,935	57,062
Prepaid Expenditures	91,020	95,570
Special Assessment Receivable	<u>957,869</u>	<u>1,061,703</u>
TOTAL ASSETS	<u>\$ 1,193,732</u>	<u>\$ 1,262,010</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 957,869	\$ 1,061,703
Due to Other Funds	<u>235,863</u>	<u>161,468</u>
TOTAL LIABILITIES	1,193,732	1,223,171
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>-</u>	<u>38,839</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,193,732</u>	<u>\$ 1,262,010</u>

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2003 AND 2002

Exhibit C1-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
Interest and Dividend Earnings	\$ 262	\$ 632
Water Service Debt Assessment Revenue	165,469	149,936
New Hook Ups	66,000	66,000
Water Surcharge	<u>13,658</u>	<u>9,163</u>
TOTAL REVENUE	245,389	225,731
<u>EXPENDITURES</u>		
Bond Interest	191,140	199,890
Bond Principal	130,000	125,000
Paying Agent Fees	<u>350</u>	<u>350</u>
TOTAL EXPENDITURES	321,490	325,240
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(76,101)	(99,509)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfer In from Water Improvements Capital Projects Fund	37,233	30,481
Transfer In to Water Improvements Capital Projects Fund	<u>29</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>37,262</u>	<u>30,481</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(38,839)	(69,028)
FUND BALANCE - JANUARY 1	<u>38,839</u>	<u>107,867</u>
FUND BALANCE - DECEMBER 31	<u>\$ -</u>	<u>\$ 38,839</u>

CHARTER TOWNSHIP OF MIDLAND
WATER IMPROVEMENTS CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit D1-1

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 230,000
Due From Other Governments	-	29
Due From Other Funds	<u>553</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 553</u>	 <u>\$ 230,029</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Governments	\$ -	\$ 230,000
Due to Other Funds	<u>553</u>	<u>-</u>
 TOTAL LIABILITIES	 553	 230,000
 <u>FUND BALANCE</u>		
Unreserved	<u>-</u>	<u>29</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 553</u>	 <u>\$ 230,029</u>

COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2003 AND 2002

Exhibit D1-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
Interest and Dividend Earnings	\$ -	\$ 944
 <u>EXPENDITURES</u>		
Miscellaneous	45,000	-
Capital Improvements	<u>-</u>	<u>17,784</u>
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 (45,000)	 (16,840)
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfer Out to Water Improvement Debt Service Fund	(29)	(30,481)
Transfer In from Township Improvement Fund	<u>45,000</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>44,971</u>	 <u>(30,481)</u>
 EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 (29)	 (47,321)
 FUND BALANCE - JANUARY 1	 <u>29</u>	 <u>47,350</u>
 FUND BALANCE - DECEMBER 31	 <u>\$ -</u>	 <u>\$ 29</u>

CHARTER TOWNSHIP OF MIDLAND
STATE CONSTRUCTION CODE ENFORCEMENT FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit E1-1

ASSETS

	<u>2003</u>	<u>2002</u>
Accounts Receivable	\$ 146	\$ 615
Due From Other Funds	<u>1,518</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 1,664</u>	 <u>\$ 615</u>

LIABILITIES AND RETAINED EARNINGS

LIABILITIES

Accounts Payable	\$ -	\$ 581
Due to Other Funds	<u>1,664</u>	<u>-</u>
 TOTAL LIABILITIES	 1,664	 581

RETAINED EARNINGS

	<u>-</u>	<u>34</u>
 TOTAL LIABILITIES AND RETAINED EARNINGS	 <u>\$ 1,664</u>	 <u>\$ 615</u>

CHARTER TOWNSHIP OF MIDLAND
STATE CONSTRUCTION CODE ENFORCEMENT FUND
COMPARATIVE STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Schedule E1-2

	2003	2002
<u>OPERATING REVENUE</u>		
Building Permits	\$ 11,890	\$ 10,895
Site Plan Review	<u>-</u>	<u>325</u>
 TOTAL OPERATING REVENUE	 11,890	 11,220
<u>OPERATING EXPENSES</u>		
Building Department		
Salaries	6,653	6,141
Supplies	245	579
Dues and Meetings	-	201
Transportation	<u>-</u>	<u>263</u>
 Total Building Department	 6,898	 7,184
Electrical Inspector		
Salaries	1,408	1,300
Office Supplies	108	-
Dues and Meetings	824	476
Transportation	<u>461</u>	<u>175</u>
 Total Electrical Inspector	 2,801	 1,951
Plumbing/Mechanical Inspector		
Salaries	8,455	2,044
Office Supplies	123	-
Professional Services	600	-
Dues and Meetings	421	121
Transportation	-	18
Printing and Publishing	<u>216</u>	<u>-</u>
 Total Plumbing/Mechanical Inspector	 9,815	 2,183
Payroll Taxes	<u>374</u>	<u>345</u>
 TOTAL OPERATING EXPENSES	 19,888	 11,663
 OPERATING INCOME (LOSS)	 (7,998)	 (443)
<u>OPERATING TRANSFERS IN</u>		
Operating Transfer In From General Fund	<u>7,964</u>	<u>477</u>
 INCREASE (DECREASE) IN RETAINED EARNINGS	 (34)	 34
RETAINED EARNINGS - JANUARY 1	<u>34</u>	<u>-</u>
RETAINED EARNINGS - DECEMBER 31	<u>\$ -</u>	<u>\$ 34</u>

CHARTER TOWNSHIP OF MIDLAND
STATE CONSTRUCTION CODE ENFORCEMENT FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Exhibit E1-3

	<u>2003</u>	<u>2002</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (7,998)	\$ (443)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) By Operating Activities:		
<u>Change in Assets and Liabilities</u>		
Accounts Receivable	469	(615)
Due From Other Funds	(1,518)	-
Accounts Payable	(581)	568
Due to Other Funds	<u>1,664</u>	<u>-</u>
Total Changes in Assets and Liabilities	<u>34</u>	<u>(47)</u>
Net Cash Provided (Used) by Operating Activities	(7,964)	(490)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Transfers In From General Fund	<u>7,964</u>	<u>477</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(13)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>-</u>	<u>13</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u>	<u>\$ -</u>	<u>\$ -</u>

CHARTER TOWNSHIP OF MIDLAND
CURRENT TAX COLLECTIONS FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2003 AND 2002

Exhibit F1-1

<u>ASSETS</u>		2003	2002
Cash in Savings		<u>\$ 434,156</u>	<u>\$ 256,394</u>
<u>LIABILITIES</u>			
Due to General Fund		\$ 73,072	\$ 50,531
Undistributed Taxes		<u>361,084</u>	<u>205,863</u>
TOTAL LIABILITIES		<u>\$ 434,156</u>	<u>\$ 256,394</u>

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2003

Exhibit F1-2

	Balance 01/01/03	Additions	Deletions	Balance 12/31/03
<u>ASSETS</u>				
Cash	<u>\$ 256,394</u>	<u>\$ 2,326,278</u>	<u>\$ 2,148,516</u>	<u>\$ 434,156</u>
<u>LIABILITIES</u>				
Due to General Fund	\$ 50,531	\$ 73,072	\$ 50,531	\$ 73,072
Undistributed Receipts	<u>205,863</u>	<u>2,253,206</u>	<u>2,097,985</u>	<u>361,084</u>
TOTAL LIABILITIES	<u>\$ 256,394</u>	<u>\$ 2,326,278</u>	<u>\$ 2,148,516</u>	<u>\$ 434,156</u>

CHARTER TOWNSHIP OF MIDLAND
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED DECEMBER 31, 2003

Exhibit G1-1

	Balance 01/01/03	Additions	Retirements	Balance 12/31/03
Land and Land Improvements	\$ 82,916	\$ -	\$ -	\$ 82,916
Water Improvements	4,311,955	45,000	-	4,356,955
Building and Building Improvements	700,872	30,701	-	731,573
Equipment	662,726	-	-	662,726
Construction in Progress	-	-	-	-
TOTAL GENERAL FIXED ASSETS	\$ 5,758,469	\$ 75,701	\$ -	\$ 5,834,170

GENERAL LONG-TERM DEBT ACCOUNT GROUP
COMPARATIVE STATEMENT OF GENERAL LONG-TERM DEBT
DECEMBER 31, 2003 AND 2002

Exhibit H1-1

	2003	2002
<u>GENERAL LONG-TERM DEBT</u>		
County Water Improvement Bonds	<u>\$ 3,355,000</u>	<u>\$ 3,485,000</u>
<u>AMOUNT AVAILABLE AND TO BE PROVIDED</u>		
Amount Available Water Improvements Debt Service Fund	\$ -	\$ 38,839
Amount to Be Provided	<u>3,355,000</u>	<u>3,446,161</u>
TOTAL AMOUNT AVAILABLE AND TO BE PROVIDED	<u>\$ 3,355,000</u>	<u>\$ 3,485,000</u>

OTHER SUPPLEMENTAL DATA

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CHARTER TOWNSHIP OF MIDLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES PAID BY
OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 1

LEGISLATIVE

Township Board

Salaries and Wages	\$ 14,620
Dues and Meetings	1,682
Office Supplies	431
Printing and Publishing	1,359
Professional Services	11,290
Insurance and Bonds	10,022
Miscellaneous	500
	<hr/>

TOTAL LEGISLATIVE

39,904

GENERAL GOVERNMENT

Supervisor

Salaries and Wages	11,775
Office Supplies	387
Professional Services	685
Program Support	820
Dues and Meetings	20
	<hr/>

Total Supervisor

13,687

Accounting and Auditing

Audit Fees	10,934
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Assessor

Professional Services	11,000
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Clerk

Salaries and Wages	11,775
Office Supplies	214
Program Support	3,607
Dues and Meetings	270
Transportation	146
Equipment	775
Miscellaneous	635
	<hr/>

Total Clerk

17,422

Board of Review

Salaries and Wages	675
Printing and Publishing	30
	<hr/>

Total Board of Review

705

CHARTER TOWNSHIP OF MIDLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES PAID BY
OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 1

GENERAL GOVERNMENT (CONTINUED)

Treasurer	
Salaries and Wages	\$ 11,775
Office Supplies	3,345
Program Support	225
Dues and Meetings	100
Insurance and Bonds	41
Miscellaneous	369
Equipment	<u>3,359</u>
Total Treasurer	19,214
Building and Grounds	
Office Supplies	1,443
Operating Supplies	399
Repairs and Maintenance	8,478
Communications	1,433
Heating	2,069
Electricity	3,431
Water	141
Equipment	318
Miscellaneous	<u>175</u>
Total Building and Grounds	<u>17,887</u>
TOTAL GENERAL GOVERNMENT	90,849

PUBLIC SAFETY

Fire Department	
Salaries and Wages	19,535
Office Supplies	60
Repairs and Maintenance Supplies	1,909
Physicals	155
Dues and Meetings	350
Telephone	803
Transportation	1,732
Training	39
Insurance and Bonds	13,595
Electricity	929
Heating	2,559
Repairs and Maintenance	4,392
Equipment	27,479
Water	137
Miscellaneous	<u>77</u>
Total Fire Department	73,751

CHARTER TOWNSHIP OF MIDLAND
GENERAL FUND
SCHEDULE OF EXPENDITURES PAID BY
OBJECT ACCOUNT
YEAR ENDED DECEMBER 31, 2003

Schedule 1

PUBLIC SAFETY (CONTINUED)

Board of Appeals	
Salaries and Wages	405
Printing and Publishing	45
	<hr/>
Total Board of Appeals	450
 TOTAL PUBLIC SAFETY	 74,201

PUBLIC WORKS

Public Utilities	8,716
 Department of Public Works	
Salaries and Wages	1,420
	<hr/>
Total Department of Public Works	1,420
 Drains at Large	 19,778
 Highways and Streets	 51,121
 Water System	
Hydrant Rentals	26,892
Water Tap Fees	980
	<hr/>
Total Water System	27,872
 Trash Pick-Up	
Contractual Services	90,582
	<hr/>
 TOTAL PUBLIC WORKS	 199,489

RECREATION AND CULTURE

Library	9,177
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OTHER FUNCTIONS

Fringe Benefits	
Social Security and Medicare Tax	3,736
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TOTAL GENERAL FUND EXPENDITURES PAID	<u>\$ 417,356</u>
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STATISTICAL INFORMATION

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CHARTER TOWNSHIP OF MIDLAND
PROPERTY TAX VALUATION RATES - LEVIES
1994 THROUGH 2003
(UNAUDITED)

Table 1

Tax Roll		Tax Rate		
Year	SEV	Taxable Value	Mills	Tax Levy
1994	\$ 43,887,515	\$ N/A	4.5	\$ 205,715
1995	45,753,828	43,923,343	4.5	197,655
1996	47,511,603	4,536,330	4.5	202,091
1997	47,801,266	46,394,949	4.5	201,786
1998	50,110,253	47,165,895	4.0	188,623
1999	55,659,342	50,287,478	4.0	201,146
2000	59,065,300	54,531,657	4.0	218,123
2001	61,683,374	55,937,421	4.0	224,209
2002	65,570,106	58,240,222	4.0	232,957
2003	66,741,669	58,233,828	4.0	233,153

CHARTER TOWNSHIP OF MIDLAND
PROPERTY TAX LEVIES AND COLLECTIONS
1994 THROUGH 2003
(UNAUDITED)

Table 2

Tax Roll Year	Fiscal Year End December 31	Operating Tax Levy	Current Tax Collections (1)	Percent of Levy Collected	Total Tax Collections (2)	Percent Collection to Total Levy
1994	1994	\$205,715	\$ 189,002	91.88%	\$ 205,715	100%
1995	1995	197,655	186,384	94.30	197,655	100
1996	1996	202,091	190,241	91.14	202,091	100
1997	1997	201,786	188,547	93.44	201,786	100
1998	1998	188,623	177,705	94.21	188,623	100
1999	1999	201,146	187,024	92.98	195,293	97
2000	2000	218,123	198,047	90.80	211,223	97
2001	2001	224,209	204,797	91.34	216,589	97
2002	2002	232,957	218,448	93.77	229,112	98
2003	2003	233,143	220,792	94.70	233,008	99

- (1) Taxes are levied December 1st and are returned to the County as delinquent the following March 1st. Therefore, Current Collections are through the following March 1st.
- (2) After March 1st of each year, the County pays from a Tax Payment fund delinquent taxes on real property to all taxing units in the County. The payments from these fund have resulted, in the past, in collection of taxes approaching 95 to 100%. In addition, Act 2-6 of 1893, as amended, provides in part that: "The primary obligation to pay the County the delinquent taxes which are due and payable to the County are not received by the County for any reason, the County has full right of recourse against the taxing unit to recover the amount thereof and interest thereon. . ."

CHARTER TOWNSHIP OF MIDLAND
RATIO OF GENERAL BONDED DEBT TO STATE EQUALIZED
VALUE (SEV) AND BONDED DEBT SERVICE PER CAPITA
(UNAUDITED)

Table 3

Year Ended	Estimated Population	State Equalized Value	General Obligation Bonds	Less Available Debt Service Funds	Net Bonded Debt	Percent of Net Debt to SEV	Net Bonded Debt per Capita
1999	2,221 *	\$ 55,659,342	\$ 3,840,000	\$ 370	\$ 3,839,630	6.9%	\$ 1,728.78
2000	2,221 *	59,010,028	3,730,000	241,415	3,488,585	5.9	1,570.73
2001	2,221 *	61,683,374	3,610,000	107,867	3,502,133	5.7	1,576.83
2002	2,221 *	65,570,106	3,485,000	-	3,485,000	5.3	1,569.11
2003	2,221 *	66,741,669	3,355,000	-	3,355,000	5.0	1,510.58

* Source 1990 U.S. Department of Commerce - Bureau of the Census

CHARTER TOWNSHIP OF MIDLAND
TOP TEN TAXPAYERS
PER 2003 STATE EQUALIZED VALUE
(UNAUDITED)

Table 4

<u>Taxpayers</u>	<u>State Equalized Value</u>	<u>Percent of Total SEV Value</u>
Consumers Energy	\$ 6,076,769	9.10 %
Michigan Electric Transmission Co.	4,443,800	6.66
Michigan Co-Generation Venture	1,568,300	2.35
Dow Chemical Company	1,443,146	2.16
IBM Credit Corporation	1,122,100	1.68
Lee Johnston	1,427,314	2.14
Lake Painting, Inc.	530,006	0.79
James Hovey Trust	309,805	0.46
B & M Holding Company, L.L.C.	270,457	0.41
Johnston Contracting	216,068	0.32
 Total Top Ten Taxpayers	 17,407,765	 26.07
Other Taxpayers	49,333,904	73.93
 Total	 \$ 66,741,669	 100.00 %



PAGE

OLSON &

COMPANY P.C.

AUDITORS COMMUNICATION REPORT

May 25, 2004

Township Board
Charter Township of Midland
Midland County, Michigan

We have recently completed our audit of the general-purpose financial statements of the Charter Township of Midland for the year ended December 31, 2003. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the "Audit Committee" or a governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the Township Board and others within the organization.

**AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED
IN THE UNITED STATES**

We conducted our audit of the financial statements of the Charter Township of Midland in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.

Nearly all balances on the financial statements of the Charter Township of Midland are based on actual results and balances versus estimates.

SIGNIFICANT AUDIT ADJUSTMENTS

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed.

Since the Townships general ledger was incomplete, many adjustments were made to complete the ledger and reconcile the various accounts. A detailed listing of the adjustments needed with their explanations was provided and posted to the ledger by the Township Clerk. This list was also provided to the members of the Township's Audit Committee. A very minimal number of journal entries were then made as part of the actual audit. These adjustments have been provided to the Township Clerk as well as the members of the Township Audit Committee.

GASB 34 IMPLEMENTATION

The implementation date of this pronouncement for the Charter Township of Midland is by December 31, 2004. The daily operations and recording of transactions will not change significantly, however, the Township will be required to complete more detailed records on fixed assets as well as be able to supply additional schedules at year end for the conversions. The amount of work needed to prepare and maintain an appropriate asset schedule has proven to be extensive at other entities. The time to convert to the new reporting format is significant and will result in additional audit fees. The Township may also consider the possibility of not implementing these new standards and whether an adverse opinion or OCBOA opinion will be acceptable for future plans and by public perception.

COMMENTS/RECOMMENDATIONS REGARDING CONTROLS AND EFFICIENCIES

In planning and performing our audit of the financial statements of Midland Township, for the year ended December 31, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the December 31, 2003, financial statements, and this report does not affect our report on those financial statements dated May 25, 2004. We have not considered internal control since the date of our report.

REPORTABLE CONDITIONS (MATERIAL WEAKNESSES)

Lack of Complete General Ledger

A complete General Ledger of all Township accounts was not maintained by the Clerk as required. This is not a new situation, this has been a pervasive problem for the township for a number of years. While at various times improvements have been made here and there, the Township still has not been able to satisfactorily complete an appropriate general ledger internally. Since the general ledger is considered the base accounting record it is somewhat pointless to list out in detail a laundry list of deficiencies in particular areas. For example, since the ledger is not complete it is implied that financial data being provided is most likely inaccurate, and that cash amounts have not been reconciled to the treasurer's records. While we understand that elected officials do not always possess the knowledge of fund accounting and record keeping required, it does not excuse the fact that these basic records have not been appropriately maintained.

Once a complete general ledger can be established on an ongoing basis, the board should be receiving on a periodic (monthly) basis reports for all township funds. These reports should at least include a Balance Sheet by Fund; Detail Revenue by Fund - Budget to Actual; and Detail Expenditures by Fund - Budget to Actual.

Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated as noted in Note #4 in the Notes to the Financial Statements.

The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes.

We noted various other deficiencies in the Township's budget document that we discussed with the Township's Audit Committee. Additionally we provided the Audit Committee members a copy of the State's Budget Procedures Manual as well as some example budget resolutions, and budget amendment examples to assist in improving the budget process and compliance with the Budgeting Act.

Tax Collection and Remittance

Townships with a SEV in excess of \$15,000,000, must remit to the schools and county total taxes collected through the 1st and 15th day of each month within ten business days after those dates. This applies to the months of December, January, and February.

Amounts collected between December 1st and December 31st were remitted on January 6th, thus those collections from December 1st to December 15th were not remitted within ten business days as required. However it would appear subsequent collections through settlement were made appropriately.

OTHER MATTERS

The following items, although not considered material weaknesses, are matters we believe worthy of your consideration.

Financial Oversight

The general limitations in a smaller municipalities like Midland Township requires that Township Board members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of this oversight.

Internal Control Requirements

Management (the Board) is responsible for establishing and maintaining a system of internal controls over the accounting procedures as well as over all assets belonging to the governmental unit. Internal controls are policies and procedures designed to provide reasonable assurance that assets are safeguarded against unauthorized use and disposition, and that transactions are recorded in a consistent and appropriate manner.

The Michigan Department of Treasury has prepared an Accounting Procedures Manual that lists out the minimum internal controls that must be in place in every unit of government in Michigan. Like many small municipalities, the Township does not have a formal accounting procedures manual. Therefore, we recommend that the Clerk and Treasurer become familiar with the requirements of the manual put out by the State and use it as a guide in performing the accounting functions of the Township. A copy of this manual was provided to the members of the Audit Committee.

Record Management

It is very important to have an orderly filing system to prevent lost items. During our audit, we encountered difficulty in locating certain supporting documents. The system can be organized any number of ways, but should be clear, uncomplicated, and evident without reliance on the individual who normally does the filing. We realize that this issue was complicated by a change over in officials.

Chart of Accounts

All local governmental units in Michigan must use the State's Uniform Chart of Accounts. The Township has made attempts to follow this requirement, however, refinements should be made to facilitate more useful, standardized reporting and to bring the township's chart into compliance.

Capitalization Policy

Capitalization is the process of recording the purchase of fixed assets that is generally recorded individually on an asset schedule. Examples of capital expenditures are purchases of land, buildings, building improvements, machinery, equipment and vehicles. For governmental funds, such as the general fund and special revenue funds, these expenditures are charged to a capital outlay account. Expenditures below a certain dollar amount are generally not charged to capital outlay and permanent records maintained. Therefore, we recommend the Township adopt a capitalization policy similar to the following: Assets with a useful life greater than one year and costing more than \$500 (or \$1,000 or whatever number you decide) be charged to capital outlay. Purchases below this criteria will be charged to another account such as supplies or repairs and maintenance.

Please note however that if the Township implements GASB 34 that a more in-depth capitalization policy will be needed than the example given above.

Other Issues

We noted various other matters that were communicated to the Audit Committee in our exit conference.

Township Board
Charter Township of Midland
May 25, 2004

SUMMARY

We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any of these or other questions that you might have at your convenience

This communication is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Page, Olson & Company